


Board of County Commissioners Workshop Item

Date of Meeting: Sept 23, 2002
Date Submitted: Sept. 18, 2002

TO: Honorable Chairman and Members of the Board
FROM:  Sue Dick, President, Economic Development Council

SUBJECT: Workshop on economic development issues identified by the Economic Development Council as priorities for FY 03/04.

STATEMENT OF ISSUE:

This workshop item updates the activities of the Economic Development Council in FY 02/03 and presents information on the key economic issues facing the Board and EDC in the coming FY.

BACKGROUND:

Staff prepared this workshop item in coordination with the Economic Development Council of Tallahassee/Leon County (EDC). The Board contracts annually with the EDC to promote job growth and comprehensive economic development in Leon County. The Board's current budget with the EDC (for FY 02/03) is \$210,000 including \$25,000 is deposited annually in the Qualified Target Industry Tax Refund Local Match Fund at the EDC and \$35,000 dedicated to the retention and expansion of existing local businesses.

ANALYSIS:

Introduction:

The following are economic development activities and issues facing the Board and the EDC in FY 2003-2004.

Key EDC Activities/Initiatives in 2003:

Continue to Improve EDC/Board Relations:

The EDC and the Board of County Commissioners have continued to strengthen their ties in an effort to attract and retain desirable businesses in Leon County. Commissioner Jane Sauls, Commissioner Cliff Thael and County Administrator Parwez Alam currently serve on the Board of Directors of the EDC. The EDC Board of Directors meets once every two months throughout the year to strategize and review EDC initiatives.

The EDC also includes the entire County Commission on distribution lists for its E-news letter and on invitations to EDC sponsored forums, events, and quarterly meetings taken to keep County officials updated on the progress of our local economic development activities.

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In compliance with the contractual agreement between the County and the EDC, the EDC prepares Semi-Annual and Annual Status Reports for the Board. These reports include sections on job projections, the Qualified Target Industry Matching Fund, funds expended for trade shows and site visits and information on other general economic development activities. Key information from the upcoming Annual Status Report is incorporated into this document and its attachments. A complete Annual Status Report will be provided to the County within 30 days of the close of the 2002-2003 Fiscal Year.

Trip to Benchmark Communities (in North Carolina and Other Progressive Areas):

The EDC on October 9-11, 2002 led a group of 54 volunteers including County Commission Chairman Tony Grippa, Commissioners Ed DePuy and Jane Saul, County Administrator Parwez Alam and Assistant County Administrator on a fact-finding trip to Raleigh, North Carolina. Like Leon County, Raleigh is a state capital and home to a large state university (North Carolina State University). The city also is home to Centennial Campus Research Park, an advanced economic development facility that is a "technopolis" of university, corporate and government research and development facilities and business incubators. Raleigh is also a corner of the famed North Carolina Research Triangle and an area which demonstrates the results of a community that has harnessed the power of coordination between business and industry, educational and training institutions and local government.

The EDC anticipated that Centennial Park would be an appropriate model to help determine the feasibility of creating a similar 1,500-acre Florida State University Research Park in Tallahassee. State budget constraints and issues relating to the role of Innovation Park have since put plans for University Park on hold. Even so, the process has resulted in increased dialogue between the presidents of Florida A&M University, Florida State University and Tallahassee Community College, plans for an "educational quadrant" spanning the area originally envisioned as the research park, the appointment of the Leon County Commission Chair and Tallahassee's Mayor to the board governing Innovation Park, and a commitment from Innovation Park to dedicate the proceeds of the sale of the Talla-Com building to a business incubator.

Long Range Economic Development Planning:

In 2002, the EDC launched "Project Tomorrow," a five year work plan designed to intensify the private sector contribution - of expertise as well as financial backing) - to economic development in Leon County. During the past year the EDC has seen its private partner contributions nearly triple to \$409,000. In conjunction with Leon County's financial support, the increase in private investment has enabled the EDC to:

- coordinate the Raleigh fact-finding trip
- bring several nationally prominent site consultants to town as speakers
- establish four industry-specific roundtables

Details of these activities are in Attachment A: Project Tomorrow 2002-2003: Return on Investment

Economic Development Marketing Activities:

Additionally, the increased commitment from the County and private sector enabled the EDC to:

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- participate in sales missions to Atlanta, Chicago and New York.
- conduct an Enterprise Zone forum
- host a familiarization tour for high-ranking site consultants using the Florida State/Georgia Tech game as the draw
- launch a major advertising campaign
- update the EDC's print marketing materials
- upgrade the EDC Web site, including addition of a comprehensive, searchable building and sites directory with 7 million square feet of building space and 23 sites with 2,700 acres.

Details of these activities are in Attachment A, Project Tomorrow 2002-2003: Return On Investment, and Attachment B, Marketing Sales Missions, FAM Tours and Conferences FY 2002-03.

Diversify Local Economy:

Our community's economy has been historically based on state government and state universities. In seeking balanced economic growth for our community's development over the next decade, it is critical to first diversify the local economic base. The EDC has worked diligently to establish a list of priorities that include business retention, expansion and recruitment.

The period from the spring of 2001, when the recession began, through August 2003 has been a difficult year for economic development and all levels. Nationally, 2.8 million workers have received pink slips, with 600,000 of those layoffs occurring since the beginning of this year.

Nearly one in four jobs lost nationally were in telecommunications. The ripple effects of the telecommunication industry's implosion extended to Tallahassee, with Sprint PCS closing a customer service center that had employed more than 350. Manufactured housing manufacturer Oakwood Homes, which has since filed for bankruptcy, also closed a 48-employee back-office operation in Commonwealth Center. Other high profile closings were Watkins Constructors and Engineers and jet engine refurbisher Chromalloy.

These closings notwithstanding, companies and individuals assisted by the Economic Development Council have weathered the recession and "jobless recovery." Among the highlights:

- Workforce Plus has reported that 85% of the employees at Watkins found new employment locally.
- EDC-assisted companies in the distribution industry added 68 positions since February 2001, thanks mainly to the opening of FedEx Ground with 37 full-time and 18 part-time drivers. Total full-time-equivalent (FTE) employment in distribution rose to 181.
- FTE employment in healthcare-related fields grew from 13 to 64, spurred by the relocation of the Florida Medical Association and its 41 FTE employees.

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- Engineering firms other than Watkins added 40 jobs, led by an 18-employee expansion at Parsons Brinkerhoff Construction Services and the opening of WilsonMiller with 17 employees.
- Information Technology – the second hardest hit industry after telecommunications nationally – registered a net gain of 23 jobs locally, paced by an increase of 82 employees at the Florida Disbursement Unit (formerly Lockheed Martin Information Management) and by the addition of 28 employees at Datamaxx.
- Across all industries, in a recent survey on the effects of terrorism on the local economy, 50 area companies indicated plans to increase their workforces by at least 10% in the next 12 to 18 months.

Review of How the County Retains Existing Industries Vs. Attract Target Industries:

In coordination with EDC staff, EDC volunteers call on 150 local employers each year to interview company officials and determine any specific needs or barriers they encounter while growing their business in Leon County. This outreach is intended to provide an outlet for local companies to express any concerns they may have in doing business in Leon County and to direct their concerns, in a coordinated manner, to the agencies and governments that may be of assistance.

Assistance through this outreach is offered through the EDC and their partners/provider referrals which include Enterprise Florida, Inc., Workforce Florida, Tallahassee Community College, Lively Technical School, Big Bend Jobs and Education Council, the Florida Agricultural and Mechanical University (FAMU) Small Business Development Center, the Jim Moran Institute at the Florida State University (FSU), the Downtown Improvement Authority, FAMU and FSU.

A 2003 survey managed by the EDC's parent organization, the Greater Tallahassee Chamber of Commerce, confirmed what the EDC has been hearing from local businesses regarding their needs. Local businesses identified these 12 factors influencing business success ranked in order of importance:

- Quality of Workforce
- Taxes/Government Policy
- Technology
- Labor Costs
- Telecommunication Technology
- Domestic Competition
- Consumer Income
- Consumer Trends
- Financing Availability
- New Products
- Transportation Costs
- Energy Costs

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Business Incubator Review:

The success of companies like Mainline, Datamaxx and PATLive demonstrate that successful homegrown businesses are as integral to Tallahassee's long term economic health and economic diversification as recruited companies like General Dynamics and Talla-Com Industries. In the past six years, Tallahassee has held as many rankings in the Inc. 500 as any city in Florida – and all of the companies responsible for those rankings were local companies.

In the past year the EDC participated in an Incubator Task Force, chaired by Dr. Jerry Osteryoung of the Jim Moran Institute for Global Entrepreneurship, charged with identifying the traits of a successful business incubator. Among the key factors identified by the Task Force:

- The incubator should be a coordinated effort supported by all the major players in the local economy: local government, the universities and the private sector
- The financial commitment to the incubator and the performance expected from it should be for a minimum of three to five years.
- At a minimum the incubator should be staffed by a high level executive with a proven track record in business incubation and a capable executive assistant.
- Companies receiving assistance should be selected by a committee of a successful local business executives and successful angel investors.
- The incubator should create and maintain an infrastructure of expertise (financial, legal, marketing and management) as well as a being a conduit to venture capital and provider of inexpensive space and support services..

The EDC is encouraged by the Leon County Development Authority's offer to provide space and some funding to an incubator in Innovation Park and will work to coalesce this offer into a community-wide effort.

Current Project Activity/Job Announcements

Announcements - Convergys, which is taking over the human resources function for the state of Florida, now has 230 employees working in its SouthWood customer care facility. Saying that the applicant flow and quality of the workforce in Tallahassee has exceeded all expectations, Convergys executives informally announced intentions to move non-state-HR-related functions to Tallahassee and double its current workforce to 460. Two other projects should formally announce by the end of the fiscal year: a 65-person customer care center, and 15-person sales and service center for a commercial vehicle manufacturer.

Recruitment – The EDC currently has eight active projects and six inactive projects, and has closed 14 projects during the course of the fiscal year. The active projects represent 1,200 potential jobs. A detailed report is contained in Attachment C: Recruitment Program Project Activity Summary FY 2002-03.

Retention/Expansion – The EDC is currently managing 20 active projects representing 215-225 potential jobs. The EDC also has conducted 23 site visits and surveyed an additional 110

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companies. A detailed report is contained in Attachment D: /Retention Program: Active Projects Summary - FY 2003

Business Assistance – Aside from its recruitment, retention and expansion project activities, the EDC frequently assists individuals on request by providing business information and referrals to the appropriate agencies. To date in FY 2003, the EDC has handled 131 requests for help in the following areas:

- Demographics/Statistics (34)
- Commercial R.E. Information (33)
- Special Initiatives (19)
- Business Start-Up (18)
- Incentives (10)
- General Information (9)
- Minority Business Information (4)
- Permitting/Regulatory (1)
- Research and Development (1)
- Technical Assistance (1)
- Workforce Development (1)

Economic Outlook

After experiencing some softness in the first quarter of 2003, the Tallahassee economy strengthened in Quarter II 2003, culminating with a robust 8.3% increase in taxable retail sales in June. The real estate market also remained strong in the first seven months of 2003, with unit volume up 7.5% and dollar volume up 33%. In another sign of strength, the Bureau of Economic and Business Research estimated that Tallahassee's population increased by nearly 7,500 residents in 2003 - an increase of 2.6%, the largest percentage increase since the late 1980s. (Adjusting for naturally occurring growth, increases in student enrollment at FAMU, FSU and TCC, and new faculty hires and their families, this leaves about 4,000 new residents unaccounted for. Anecdotal evidence suggests this group must be affluent retirees.)

But, as with the national economy, job growth remained the missing link in the local economic recovery, with non-farm employment up a scant 0.5% in June 2003 compared to the prior June. Another tough budget year for the state of Florida could inhibit Tallahassee's economic rebound in the last half of 2003. Despite collecting \$400 million more in revenues than anticipated March through July, the state approaches the next fiscal year in about the same shape financially as at this time last year. Last year's austere budget had eliminated more than 500 state agency jobs in Tallahassee through July.

Charts of state job cuts in 2002 and YTD, retail sales growth (the best measure of overall local economic activity) and the historical relationships between jobs, population and housing are contained in Attachment E: Components of economic and demographic change in Leon County 1990-2003.

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FY 2004 Goals and Activities

The EDC will continue to pursue aggressively its existing recruitment, retention and expansion activities.

Target Industry Sector Analysis - The EDC will conduct interviews and contract with a nationally recognized Site Consultant firm to conduct a feasibility study to target 2-3 target industry sector markets.

Under-Employment Survey - The EDC will compile in partnership with WorkforcePlus a synopsis of the current employment base within the Tallahassee area to determine existing under-employment trends.

Community Development Trip - The EDC will organize and facilitate a Community Development Leadership Trip. This trip will model recent trips taken to Austin, Texas and Raleigh, North Carolina. The Planning Committee will identify possible host communities who currently have innovative and successful economic development models in place. Target date for the trip is Spring 20004.

Industry Roundtable - A Healthcare Industry Roundtable will be added to the existing 4 roundtables (Association, Distribution, Manufacturing and Commercial Development) as a part of the Retention and Expansion efforts. Technology will continue to be address by collaborating with the TalTech Alliance.

Sales Missions – The EDC plans sales missions to Atlanta, Dallas and New York, to attend several key national and state conferences and to stage a third Site Consultant Familiarization Tour build around an FSU football in Fall 2004. The complete schedule is presented in Attachment G: Proposed Marketing Sales Missions, Fam Tours and Conferences FY 2003-04.

Competitive Analysis

At the request of County leadership, the EDC has prepared a draft report on economic development incentives offered by other cities. Based on the findings of the draft report, the EDC recommends:

1. Revise the Target Business Pilot Program to include "Retention" projects
2. Authorize a sales tax exemption for electrical energy
3. Establish a Job Incentive Fund.

The complete report and recommendations are available in Attachment F: Examination of Local Incentives and Subsequent Recommendations for Consideration.

CONCLUSION:

EDC staff will continue to work with the Board and all state and local partners to accomplish the economic development objectives outlined in this workshop.

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OPTIONS:

- 1) Accept the findings presented in this Workshop.
- 2) Accept the recommendations in the Local Incentives Report (Attachment F).

Attachments:

- A: Project Tomorrow 2002-2003: Return On Investment
- B:: Marketing Sales Missions, FAM Tours and Conferences FY 2002-03
- C: Recruitment Program Project Activity Summary FY 2002-03
- D: Expansion/Retention Program: Active Projects Summary - FY 2003
- E: Components of Economic and Demographic Change in Leon County 1990-2003
- F:: Examination of Local Incentives and Subsequent Recommendations for Consideration